

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10  
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 USIA-06  
EB-08 TRSE-00 SOE-02 DOE-11 COME-00 MCE-00 ACDA-12  
STR-07 AID-05 OMB-01 /107 W  
-----123558 060840Z /11  
R 060717Z MAR 78  
FM AMEMBASSY BUCHAREST  
TO SECSTATE WASHDC 8223

CONFIDENTIAL SECTION 1 OF 2 BUCHAREST 1376

E.O. 11652: XGDS-1  
TAGS: ETRD, EEWT, ESTC, RO  
SUBJ: ROM CONTROL DATA EXPORT LICENSE PROBLEMS:  
LIKELY CEAUSESCU ISSUE FOR APRIL U.S. VISIT

1. SUMMARY. EXPORT LICENSE PROBLEMS, WHICH HAVE  
PLAGUED DEVELOPMENT OF GOR-CDC JOINT VENTURE IN  
ROMANIA, WILL SURELY BE ON CEAUSESCU'S AGENDA FOR  
U.S. DISCUSSIONS IN APRIL. WE FEEL THAT WHILE GOR  
WILL CONTINUE TO SUPPORT JOINT VENTURE AS LONG AS  
IT CAN GO ON OBTAINING EXPORT LICENSES FOR INCREASINGLY  
MORE SOPHISTICAED U.S. COMPUTER TECHNOLOGY AND  
PRODUCTS, WE ALSO BELIEVE THAT USG BE PREPARED TO  
ENUNCIATE OR REITERATE AND UPDATE IN CLEAR AND FRANK  
MANNER OUR EXPORT LICENSE POLICY WHICH AFFECTS THIS  
JOINT VENTURE. END SUMMARY.

2. PERENNIAL EXPORT LICENSE PROBLEMS RELATING TO  
CONTROL DATA CORPORATION'S (CDC) JOINT VENTURE WITH  
THE GOR, ROM CONTROL DATA (RCDC), AGAIN APPEAR TO BE  
ON WAY BECOMING MAJOR BILATERAL ISSUE. RCDC JOINT  
VENTURE, RIGHTLY OR WRONGLY, HAS IN MINDS OF GOR  
OFFICIALS GROWN TO BE SYMBOL OF ECONOMIC COOPERA-  
TION WITH U.S. AS SUCH. IT HAS ACHIEVED STATUS OUT  
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OF PROPORTION TO PURELY ECONOMIC IMPORTANCE OF  
JOINT VENTURE. AS DEPARTMENT AWARE, CREATION OF  
RCDC JOINT VENTURE FOLLOWED PERSONAL COMMITMENTS  
MADE BY CEAUSESCU AND CDC'S NORRIS DURING ONE OF  
LATTER'S VISITS TO ROMANIA IN EARLY 1970'S.  
CEAUSESCU IS PERSONALLY KNOWLEDGEABLE OF JOINT  
VENTURE AND APPARENTLY HAS FOLLOWED ITS TRIALS AND

TTRIBUTATIONS WITH INTEREST. WE ALSO NOTE THAT ONE  
CONSTANT ON CEAUSESCU'S APRIL U.S. ITINERARY IS  
VISIT TO CDC MINNEAPOLIS HEADQUARTERS.

3. MOST RECENT MANIFESTATION OF WHAT THE GOR FEELS  
IS RESTRICTIVE BUREAUCRATIC U.S. EXPORT LICENSING  
POLICY AND IMPLEMENTATION IS APPARENT DENIAL OF  
EXPORT LICENSE APPLICATION (BTR CASE NUMBER 293947)  
SUBMITTED BY CDC, REQUESTING AUTHORIZATION FOR  
RCDC TO EXHIBIT 60 MEGABITE DISC DRIVES THAT IT  
MANUFACTURES AT MID-MARCH LEIPZIG FAIR. GOR DESIRE  
IS TO BE ABLE TO SELL THESE UNITS BEGINNING LATER  
THIS YEAR OR EARLY NEXT YEAR TO BOTH CEMA AND NON-  
CEMA (PARTICULARLY PRC) COMMUNIST COUNTRIES. DPM  
PATAN IN JANUARY 12 MEETING WITH AMBASSADOR  
(SEE BUCHAREST 306 AND SUBSEQUENT MEMCON---COPIES  
WHICH POUCHED TO EUR/EE, BEWT/BURGESS, AND OEA/  
WALINSKY) EXPRESSED PERPLEXITY WITH DIRECTION RCDC  
WILL BE ABLE TO TAKE THIS YEAR IN VIEW OF CONTINUED  
EXPORT LICENSE PROBLEMS. HE SAID GOR HAD ANTICI-  
PATED THAT RCDC WOULD BE OPERATING AS PROFIT EARNER  
IN 1977, BUT THAT EXPORT LICENSING DELAYS HAD NOT  
PERMITTED THIS. SAME THEME REITERATED TO EMBOFFS  
DURING MARCH 1 MEETING WITH PATAN'S ASSISTANT,  
CONSTANTIN FOTA. THERE IS NOW ALSO INCREASE IN  
PRESSURE WITHIN GOR FOR RCDC TO BE PROFIT EARNER IN  
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1978. (NOTE: IN MAJOR SPEECH ON FEBRUARY 17,  
PRESIDENT CEAUSESCU STATED THAT IN FUTURE, EVERY  
ROMANIAN ENTERPRISE WILL HAVE TO BECOME SELF-  
SUFFICIENT, I.E., STATE SUBSIDIES WILL NOT BE  
AVAILABLE TO INEFFICIENT PRODUCERS.) PRESSURE IS  
ALSO BUILDING UP BECAUSE OF RECENT U.S. EXPORT  
LICENSING DECISIONS PLUS LITTLE MOVEMENT ON OTHER  
CDC EXPORT LICENSING APPLICATIONS, I.E., INCLUDING  
PATAN'S NOVEMBER, 1977, REQUEST TO USDOC OFFICIALS  
(SECRETARY KREPS AND OTHERS) FOR EARLY LICENSING  
DECISION ON BATCH TERMINALS, AND OUTLOOK FOR  
APPROVAL FOR COMPUTER SOFTWARE JOINT VENTURE AND  
CYBER 80 JOINT VENTURE. FOTA REITERATED WHAT PATAN  
HAD SAID EARLIER, NAMELY THAT IF U.S. EXPORT  
LICENSING POLICY CONTINUES TO CRIMP DEVELOPMENT OF  
RCDC, THEN MAYBE GOR SHOULD FACE UP TO REALITY  
THAT RCDC MAY CONTINUE TO LOSE MONEY FOR YEARS TO  
COME AND THAT THE TIME IS NOW RIPE TO TERMINATE  
THIS UNECONOMICAL JOINT VENTURE.

4. FROM OUR PERSPECTIVE, WE FEEL THAT GOR EMPHASIS  
ON "NORMALIZING" RCDC'S OPERATIONS, I.E., MAKE IT

PROFIT EARNER, IS SOMEWHAT DISINGENUOUS. WE BELIEVE GOR WOULD BE CONTENT TO SUBSIDIZE RCDC'S CONTINUED OPERATIONS INDEFINITELY, AS LONG AS IT WERE ABLE TO INCREASE LEVEL OF SOPHISTICATED COMPUTER PRODUCTS PRODUCED IN ROMANIA AND TO SELL THESE FIRST DOMESTICALLY AND EVENTUALLY TO OTHER CEMA AND NON-CEMA COMMUNIST COUNTIES. OUR IMPRESSION IS THAT MFT OFFICIALS ARE HARPING ON RCDC'S POSITION AS REVENUE LOSER, BECAUSE THIS IS SOMETHING THAT WE AS "CAPITALISTS" UNDERSTAND AND REACT TO. FROM OUR CONTACTS WITH CDC OFFICIALS, IT DOES NOT APPEAR THAT CDC'S NORRIS (BOARD CHAIRMAN) IS DISENCHANGED WITH RCDC'S PROGRESS, AND IT SEEMS THAT CDC REMAINS FULLY COMMITTED TO THIS JOINT VENTURE  
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FOR THE NEXT FEW YEARS AT MINIMUM, EVEN IF IT CONTINUES TO BE REVENUE DRAIN.

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10  
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 USIA-06  
EB-08 TRSE-00 SOE-02 DOE-11 COME-00 MCE-00 ACDA-12  
STR-07 AID-05 OMB-01 /107 W  
-----123655 060840Z /11

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C O N F I D E N T I A L SECTION 2 OF 2 BUCHAREST 1376

5. GIVEN FOREGOING SCENARIO, FOREBODINGS OF DOOM CONCERNING RCDC WHICH EMANATING FROM MFT OFFICIALS ARE, WE HYPOTHEZIZE, SURFACING BECAUSE OF INTERNAL GOR DISCUSSIONS DURING CURRENT OVERALL REVIEW OF ROMANIA POLICY VIS-A-VIS U.S. IN PREPARATIONS FOR PRESIDENT CEAUSESCU'S APRIL VISIT. IT APPEARS THAT VARIOUS GOR POLICY MAKERS ARE MAKING NEGATIVE

ISSUE OF RCDC'S REVENUE LOSING POSITION TO THE DETRIMENT OF DPM PATAN, PATAN, WHO WE WOULD CHARACTERIZE AS FOREMOST GOR ADVOCATE OF CLOSER ECONOMIC/TRADE RELATIONS WITH U.S., IS ON DEFENSIVE HERE. HE CAN POINT TO MANY AREAS IN WHICH BILATERAL ECONOMIC TRADE RELATIONS HAVE EVOLVED IN MANNER FAVORABLE TO GOR. RCDC IS ONE PROJECT ON WHICH HE IS PROBABLY BEING CRITICIZED (AS HE HAS IN PAST) BY OTHERS (NAMELY DPN OPREA AND MINISTER AVRAM, WHOM ONE RESIDENT CDC OFFICIAL STATES HAS ANYTHING TO DO WITH THE JOINT VENTURE WHICH COMES UNDER HIS AUTHORITY ONLY BECAUSE HE HAS INSTRUCTIONS FROM ABOVE TO DO SO). PATAN MAY BE ABLE TO DEFEND GOR'S INVOLVEMENT IN RCDC ON POLITICAL GROUNDS BUT NOT ECONOMIC ONES.

6. WE FEEL RCDC WILL CONTINUE TO EVOLVE IN  
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EYEDROPPER FASHION AS LONG AS U.S. MAINTAINS EXPORT CONTROLS. IT IS LOGICAL TO EXPECT THAT BOTH CDC (FOR MARKET PENETRATION REASONS) AND GOR WILL WORK TOGETHER IN FUTURE AS THEY HAVE IN PAST TO STRETCH LIMITS TO OF U.S. EXPORT LICENSING POLICY SO AS TO OBTAIN OEA AUTHORIZATION FOR INCREASINGLY MORE SOPHISTICATED TECHNOLOGY AND PRODUCTS. ISSUE WHICH CONFRONTS USG VIS-A-VIS GOR ON RCDC IS NOT JUST ONE OF EXPORT LICENSE FOR DISC DRIVES TO BE SHOWN AT LEIPZIG FAIR, BUT RATHER, WHETHER WE ARE PREPARED TO GO ON MAKING EXCEPTIONS TO GENERAL U.S. EXPORT LICENSING POLICY SO THAT RCDC WILL BE ABLE TO OPERATE WITHIN LIMITS OF LOSSES OR RESTRICTED PROFIT MARGINS ACCEPTABLE TO BOTH GOR AND CDC.

7. IT IS MOST PROBABLE THAT GOR OFFICIALS INVOLVED IN PREPARING PRESIDENT CEAUSESCU'S BRIEFING MATERIALS FOR MEETINGS WITH PRESIDENT CARTER, OTHER HIGH-LEVEL ADMINISTRATION OFFICIALS, AND MEMBERS OF CONGRESS WILL REQUEST SHE RAISE SUBJECT OF U.S. EXPORT LICENSE PROBLEMS AFFECTING ROMANIA AND ESPECIALLY THOSE AFFECTING RCDC. IT THEREFORE IMPORTANT FOR USG TO BE PREPARED TO RESPOND TO STRONG GOR PITCH IN APRIL, THIS TIME BY CEAUSESCU HIMSELF, ON ISSUE OF FACILITATING ISSUANCE OF EXPORT LICENSES FOR COMPUTER ITEMS AND TECHNOLOGY DESTINED FOR RCDC. A CLEARLY AND FRANKLY ENUNCIATED USG EXPORT LICENSING POLICY WHICH WILL AFFECT CONTROL FUTURE DEVELOPMENT OF THIS JOINT VENTURE IS NEEDED, EVEN IF THIS WERE TO CONTINUE CURRENT EYEDROPPER PROGRESS ON NEEDED EXPORT

LICENSES. IF CURRENT OEA REVIEW OF U.S. EXPORT  
LICENSING POLICY ENDS UP WITH GENERALLY MORE  
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LIBERALIZED LICENSING POLICY THAN ONE CURRENTLY  
IN EFFECT FOR ROMANIA, BUT DOES NOT EASE UP ON  
RESTRICTIONS WHICH AFFECT RCDC'S DEVELOPMENT OR  
OTHER FACETS OF ROMANIA'S DATA PROCESSING  
INDUSTRY, THEN WE FEEL THAT THIS EXPORT CONTROL  
LIBERALIZATION WILL BE OF MARGINAL INTEREST TO  
GOR.

8. ACTION REQUESTED: THAT U.S. OFFICIALS INVOLVED  
IN DRAFTING BRIEFING PAPERS FOR THE PRESIDENT'S  
MEETING WITH CEAUSESCU BE AWARE OF RCDC LICENSING  
PROBLEM AND THAT THEY PREPARE ADEQUATE RESPONSE TO QUESTIONS  
CEAUSESCU LIKELY TO RAISE ON THIS ISSUE WITH THE  
PRESIDENT.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DATA, ITINERARY, EXPORT LICENSES, STRATEGIC TRADE CONTROLS, VISITS, MEETINGS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 06 mar 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** X1  
**Errors:** N/A  
**Expiration:**  
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**Original Handling Restrictions:** n/a  
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**Review Release Event:** n/a  
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**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
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US Department of State  
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